

customer choice and ease consumer frustration over access. At the same time, it will remedy the competitive inequities which AT&T's CIID card has created.

**B. Validation and Billing of CIID Card Calls Could Be Easily Accomplished**

In the NPRM, the Commission requested the parties to address "what information would have to be made available to enable OSPs to carry and bill for nonproprietary 0+ calls."<sup>25</sup> Clearly, OSPs would require access to some means to validate and bill these calls.

The LIDB hub providers already provide access to the AT&T CIID card database for the LECs and certain IXC's, such as GTE Airfone and Alascom. Therefore, methods for access to AT&T CIID card validation data are already in place and competitive OSPs could validate AT&T CIID cards using the LIDB hub they currently use for validation of LEC calling card calls.

Billing and collection of CIID card calls may also be accomplished easily. AT&T must simply provide the CIID card translation data to a LEC or other third party which could act as a clearinghouse for translation of CIID card call records to billing telephone numbers for billing through the LECs. In this way, competitive OSPs would not have access to any proprietary, AT&T customer information, but could nevertheless bill the calls. In short, there are no insurmountable technical barriers preventing

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<sup>25</sup> Id.

AT&T from providing access to validation and billing of the CIID card.

**C. The Commission has the Jurisdiction to Require AT&T to Provide Nondiscriminatory Access to its CIID Calling Card**

In the NPRM, the Commission requested parties to address "the jurisdictional basis for the action that party proposes."<sup>26</sup> There is no question that the FCC has the authority to require AT&T to permit other IXCs to validate and bill the CIID card.

As established in the CompTel Motion, Section 4(i) of the Communications Act of 1934 authorizes the Commission to issue "such orders, not inconsistent with this [Act], as may be necessary in the execution of its functions."<sup>27</sup> In United States v. Southwestern Cable Co.,<sup>28</sup> the Supreme Court upheld the authority of the FCC to issue an order limiting further cable expansion pending the outcome of a rulemaking proceeding. Here, ITI is similarly requesting the Commission to grant interim relief pending the outcome of the Commission's proceeding on billed party preference.

However, beyond the extraordinary relief authorized under 4(i) of the Act, the Commission has the jurisdiction under Title II of the Act to regulate AT&T's common carrier offerings. The Commission already has found that the rates under which the CIID

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<sup>26</sup> NPRM para 43.

<sup>27</sup> 47 U.S.C. 154(i).

<sup>28</sup> 392 U.S. 178 (1968).

card is offered are subject to Title II.<sup>29</sup> Clearly, then, the justness and reasonableness of the other terms of AT&T's CIID card offering are also subject to the Commission's jurisdiction under Section 201(b) of the Act.<sup>30</sup> ITI submits that, in the current presubscription environment, it is an unjust and unreasonable practice to offer a proprietary 0+ calling card service unless validation and billing are made available on a nondiscriminatory basis to all competitive carriers that receive 0+ calls using that card. Hence, the existing CIID card program violates Section 201(b) of the Act.

### III. CONCLUSION

As demonstrated above and in the record compiled in response to the CompTel Motion, AT&T's CIID card program coupled with its deceptive marketing campaign, has had a devastating impact on operator services competition and given AT&T an unwarranted advantage in the premises presubscription market. Unless the Commission grants all OSPs nondiscriminatory access to validation and billing for proprietary 0+ cards, there will be few viable

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<sup>29</sup> AT&T Communications, Revisions to Tariff FCC No. 1, DA-91-1583 (Dec. 19, 1991) (finding that AT&T's CIID card discounts offered under OCP plans were apparently discriminatory under Section 202(a) of the Act).

<sup>30</sup> The application of Title II authority to AT&T's CIID card offering is also confirmed by the Commission's analysis in CC Docket No. 91-115, wherein the Commission found that validation and billing of LEC calling cards was subject to Title II of the Act. Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards, CC Docket No. 91-115, FCC 92-168, (May 8, 1992).

operator service providers remaining and AT&T will have succeeded in remonopolizing operator services. In that event, it is unlikely that there will be any reason to incur the costs associated with billed party preference. Accordingly, in order to preserve both existing and future competition in operator services, the Commission must grant all OSPs nondiscriminatory access to validation and billing of AT&T's CIID card.

Respectfully submitted,

**INTERNATIONAL TELECHARGE, INC.**

By 

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**June 2, 1992**

**ATTACHMENT A**

## EXHIBIT A



### AT&T CALLING CARD MARKETING PLANS

AT&T's Calling Card Marketing Plans call for AT&T to reissue its 10 million active calling cards. The new calling card is referred to as the CIID Calling Card (Card Issuer Identification Calling Card). The current AT&T Calling Card can be validated and billed by any long distance carrier. The CIID Calling Card can only be validated and billed by AT&T. Therefore, if a property has any carrier other than AT&T, the end user will have to dial around the existing long distance carrier using AT&T's 10288 access code to place his calling card call.

Mass media advertisements and direct mail programs will insure that AT&T calling card holders are aware of how to reach AT&T by dialing AT&T's 10288 access code.

The benefit to the end user is that he will never get a surprise long distance bill from another long distance carrier. He will always be assured AT&T's tariffed long distance rates, quality, service, and credit.

Since other long distance carriers are unable to both validate and bill the CIID card, the property owner's total billable commission revenue will be impacted.

I am enclosing both AT&T's Calling Card Market Plans and a copy of the Wilson Report, a neutral party's report, on the number of existing calling cards in the market. Please note the Wilson Report gives the number of calling cards issued by the various long distance carriers and not the "active" number of calling cards.

Please feel free to call me for clarification and further explanation of this new calling card information and its direct effect on you.

Marina Rasendis, AE CS&S  
214-308-4027

**ATTACHMENT B**

# EXHIBIT B

**AT&T**

General Sales Division

1575 Lawrence Street  
Coral Gables 34802

February 7, 1991

This letter is a follow-up of our telephone conversation on Monday, February 4th, regarding the renewal of "O+" Commission Contracts.

I've enclosed renewal contracts for two and three years for both your rooms and payphones. These new contracts will pay 27 cents for a two year contract and 30 cents for a three year contract. I'm also enclosing samples of our new telephone signage for your guest rooms.

The following is a breakdown of your 1990 "O+" messages by call types. Approximately 91% of the calls were placed using the AT&T calling card.

THIRD PARTY	1,881
CARD OPERATOR-HANDLED	389
CARD SWITCH-HANDLED	66,461
COLLECT	4,417
	<u>73,148</u>

In keeping with the direction established by the Card Number Identification (CNI) numbering plan, AT&T has begun roll-out of the New AT&T Calling Card. This plan is available for all interexchange carriers and the numbers are proprietary (they are exclusive) to the interexchange carrier. AT&T has already begun implementation of this new card as an interim step to the CNI and NIS standard



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calling cards (also known as 891 card). In 1991, AT&T will be converting 40 million card users to the new AT&T proprietary calling card. This new card can only be validated by AT&T and the Local Exchange Companies. The billing on this new card will only be handled by AT&T.

You mentioned the possibility of changing your long distance carrier to U.S. Sprint. ~~Ninety percent of your card traffic would be at risk for commission. Sprint will not be able to accept or validate the new AT&T card. On the back of the new card will be dialing instructions when placing a call from a phone not using AT&T.~~

We share the same customers and AT&T would like to continue providing them with the long distance service that they are use to having while staying at the

Please don't hesitate to call me on 303-298-6450, if you have any questions.

Sincerely



Kathy Holmes  
Account Executive

**ATTACHMENT C**

## EXHIBIT C

### BENEFITS

AT&T pays commissions on more calls than anyone else.

AT&T also pays you commissions on calls that are considered "uncollectible" by some other operator service providers. You won't have to wait for the charges to be sustained.

You can rely on a timely and accurate commission payment from AT&T every month.

Each commission payment is accompanied by a comprehensive report detailing each property, number of messages and commission paid. (Both in-room traffic and public payphone.)

AT&T currently has over 40,000,000 calling cards in use today.

AT&T is moving quickly towards an all proprietary card network. The move towards these cards will begin with our largest usage customers. This tends to be the business traveler. OTHER COMPANIES CANNOT BILL FOR THESE CALLS AND DO NOT PAY COMMISSIONS ON CALLS MADE WITH THESE CARDS.

The introduction of the VISA/Mastercard AT&T Universal card has been extremely successful. We had our one millionth customer in 78 days. The AT&T number on these cards is proprietary. These Universal card customers are AT&T customers. (Calling instructions are printed on the back of the card).

Business travelers care what their companies spend. Businesses also periodically check vouchers. With the onset of volume discount calling card plans, businesses want their employees to stay in hotels where AT&T is provided from the room phones. Dupont is just one company that has requested a directory of hotels that use AT&T. Our Co-operative Advertising Program is publishing just such a directory.

As an agent, you want to ensure their customer enjoyed the visit enough to make another stay at the hotel. You would not want to take the chance of losing that guest because a customer was dissatisfied with the phone service.

In the hospitality industry, you want to be able to accommodate your guests needs, whether that be using a calling card, charging back to their room, or providing on-site interpreter facilities.

**ATTACHMENT D**

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## THROUGH THE WIRE

### The Proprietary Advantage, AT&T Calling Cards

*"Proprietary adj., used, made or marketed by one having the exclusive legal right."*  
AT&T currently has over nine million proprietary calling cards in the marketplace. Long Distance calls charged to these cards can only be validated and billed by AT&T.

#### AT&T Corporate Calling Cards

The AT&T Corporate Calling Card is the world's most frequently used proprietary card. Over one million have been issued by businesses to their employees so that they can charge their calls on the road. These frequent business travelers are generally your best customers and account for 20% of all long distance calling from your guest rooms. The fact is, because AT&T offers special billing services like AT&T EXECUBILL<sup>SM</sup> Service, and because companies can earn large long distance discounts from AT&T, many employers will only let their employees stay in hotels offering AT&T Long Distance Service.

In response to their requests AT&T recently published an AT&T Long Distance Service Hotel Guide, listing over 8,000 hotels contracted to AT&T. This guide will be updated periodically.

#### The AT&T Universal Card

This is AT&T's fastest growing proprietary card. In the first seven months since its introduction, nearly seven million cards have been issued. In addition to being a proprietary calling card, the AT&T Universal Card is also a Visa® Card or

Over one million have been issued to their employees so that they can charge their calls on the road.

\* Webster's Ninth New Collegiate Dictionary, © 1985.

EXECU-BILL is a service mark of AT&T.

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MasterCard® Card, making it very attractive to travelers who want to consolidate their expenses on one bill. Long distance calls made using this card can only be validated and billed by AT&T.

### AT&T "Non-Subscriber" Cards

AT&T non-subscriber cards are primarily issued to military personnel and college students, or anyone who doesn't have a full time phone and/or address to bill their calls to. There are approximately one million of these cards in circulation and the market is rapidly expanding.

### What Does This Mean to Your Hotel?

Today there are millions of AT&T customers who will choose to use AT&T where AT&T is not the primary carrier. They will either dial the AT&T access code, "10+ATT+0," and get an AT&T line, or they will ask to be connected to an AT&T Operator. You frustrate your guests by not using AT&T as your primary carrier and you may also lose commission on each one of those calls. And AT&T's proprietary customer base is still growing.

To ensure that AT&T customers always get AT&T's competitive rates, and the superior quality and service they expect, AT&T plans to switch all its high-volume calling card users to proprietary cards throughout 1991. These customers represent 90% of the long distance revenue billed to AT&T Calling Cards.

The implications for your hotel are clear. The potential revenue you can earn from other long distance companies decreases with every AT&T proprietary card issued. And the potential for customer dissatisfaction increases with every extra step your guests have to take just to make a phone call.

That's just two of the many reasons we at Promus have chosen AT&T to be our long distance company. We suggest you consider them, too. The AT&T National Account Team will be happy to answer any questions you may have and explain the contracts to you. Contact them today at 1 800 238-4902.

The potential revenue you can earn from other long distance companies decreases with every AT&T proprietary card issued.

## Lost Revenues

Conversion companies only pay commission on convertible, billable calls. If you look at industry averages on types of calls made, you'll see that almost one third of all calls made from your guest rooms won't be commissionable.

Operator Assisted	12%
International	5%
AT&T Proprietary	10% (and growing)
Fraudulent	4%
TOTAL	31% Non-commissionable

Many companies equip their employees with proprietary *AT&T Corporate Calling Cards*. Approximately one million of these cards have been issued to these frequent business travelers, and they account for nearly 20% of all long distance calls made from hotels. Since calls charged to these cards can only be validated and billed by AT&T, they cannot be used with a converter service. By the end of 1991, AT&T plans to make all its high volume calling cards proprietary (see related article). That means at least 40 million potential guests will be holding calling cards they can't use with your converter service. Some hotels already experience a very high dial-around rate. These hotels lose commissions each time their guests dial the 10 + ATT + 0 access code and bill calls to their AT&T Calling Cards. They're also frustrating guests through the extra step they have to take to reach AT&T.

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## Get the Facts

Right now, AT&T is offering 36¢/message (based on current calling volumes) for any hotel that contracts under the applicable "0+" agreement. As more properties sign up and total long distance usage increases, commissions can go as high as 45¢/message.

## Conversion

	Conversion Company A \$1.50 per Call	Conversion Company B \$1.25 per Call	AT&T \$3.00 per Call
Total Possible Commission on 1,000 calls/month	\$500.00	\$1250.00	\$300.00
<u>Factors Affecting Commission Payable*</u>			
Validation/billing charges - \$.40/Call	N/A	(\$400.00)	N/A
Fraud - 4%	N/A	(\$50.00)	N/A
Operator assisted - 12%	(\$30.00)	(\$150.00)	N/A
International - 8%	(\$24.00)	(\$60.00)	N/A
AT&T Proprietary Cards - 10%	(\$30.00)	(\$125.00)	N/A
IntraLata calls - 4%	N/A	N/A	(\$14.00)
Total Earned Commission	\$366.00	\$425.00	\$246.00

\* Note: If enough proprietary charges, the total earned commission on 1,000 calls/month could be as high as \$425.00.

\* Actual earnings and commission charges will vary by hotel property.

For argument's sake, let's compare the current AT&T rate, 36¢/message, with two higher rates, 50¢/message and \$1.25/message, being offered by some conversion companies.

No one pays commissions on as many calls as AT&T. So no matter how promising a commission offer sounds, always be sure to get the facts.

## Making the Right Choice

Higher profits aren't the whole story. Customer satisfaction is a very important aspect of the hospitality industry. Three out of four households use AT&T as their Long Distance Service and they expect the same excellent standard of service when they stay at your hotel. So don't be sold by claims and promises that may be



## The 0+ to 1+ story, get the facts.

When conversion companies (a.k.a. Store and Forward or 0+ to 1+) come to you offering big commissions, anywhere from 50¢ up to \$1.25 per message, it is very important that you get all the facts. Find out what percentage of calls the commissions will be paid on, and what outside costs might cut into your profits from commissions.

When conversion companies come to you offering services similar to AT&T, make sure you ask about the details. What exactly do they mean by similar? No other telecommunications company can match AT&T's service record. Do they have operators available 24 hours a day? Can they offer your guests immediate credit for mis-dialed numbers? How quick and accurate is their credit card verification service? Will guests be frustrated by lag times while their card numbers are being verified and the call is being converted to 1+?

### How It Works

A caller (hotel guest) dials 0+ area code + number. The 0+ to 1+ software and equipment generates a "bong" tone which prompts the caller to enter a calling card number. The software stores the billing information and outpulses the call on a direct dial 1+ basis over the chosen carrier's network. The billing data is then taken from the equipment, rated by a billing service and sent to the Local Exchange Company (LEC) for billing to the caller.

Conversion services claim you can make great profits this way because you're charging a 0+ rate to your guests while only paying a 1+ rate for these calls. But what about hidden costs like billing and validation, lost revenue due to fraudulent calls and lost revenue on calls that cannot be completed in this fashion, such as operator assisted and AT&T proprietary card calls. Do these affect your profits?

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## Hidden Costs

When using a conversion system, you can pay for more than the initial cost of the software. If calls are not validated before they go through, the potential for fraud is greatly increased. Not only do you lose the commission on these unbillable calls, you may also have to pay the 1 + calling charge. Therefore, the use of a validation database service is essential. You may also need a separate company to process and forward all the information stored in your equipment for billing by individual Local Exchange Companies (LECs). These two services alone can cost as much as 40¢ per call.

But the largest hidden cost of all is that of customer satisfaction. Although conversion companies may claim your guests cannot tell a difference in service, your guests may experience the following:

- Longer connection times while the 0+ to 1+ conversion pulls all the information, sends the billing number out for validation and then converts the call to 1+.
- A "No outside lines available" message because this slower process ties up all your trunks.
- A 40% increase in the total cost of an average credit card call.

If just one guest notices these changes and decides not to stay at your hotel again, you can wipe out a whole month of profits made from telephone commissions. And if a few guests notice, you could be operating at a loss.

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If just one guest notices these changes and decides not to stay at your hotel again, you can wipe out a whole month of profits...

CERTIFICATE OF SERVICE

I, Teresa C. Quint, a legal secretary at the law offices of Wiley, Rein & Fielding, hereby certify that on this 2nd day of June, 1992, copies of the foregoing "Comments of International Telecharge, Inc." were caused to be sent by U.S. first class mail, postage prepaid, to each of the parties on the attached service list.

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I also caused copies of the foregoing "Comments of International Telecharge, Inc." to be hand delivered to the following:

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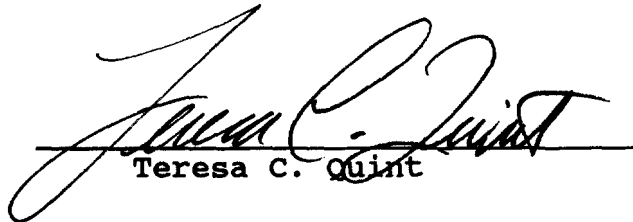
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